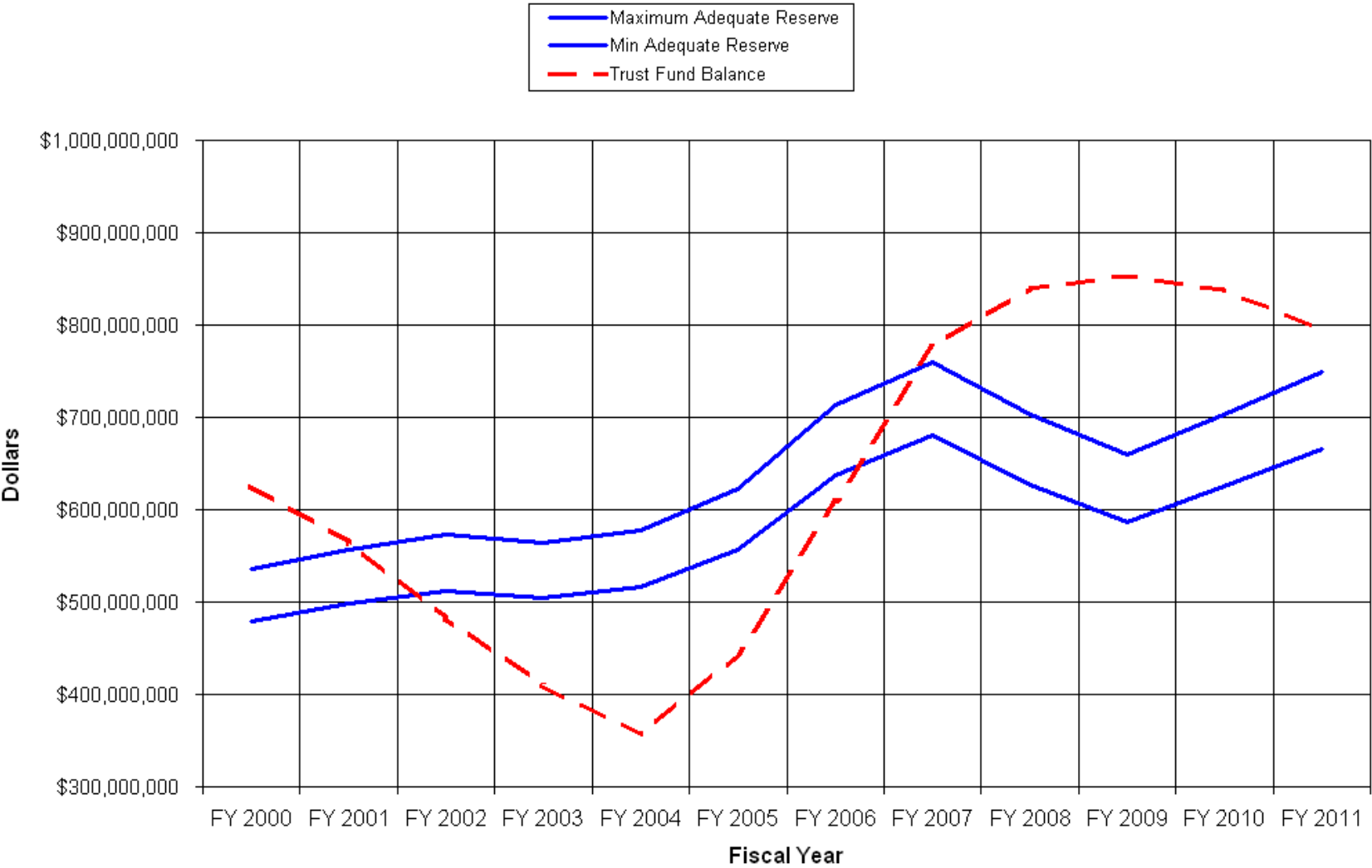


# UI Trust Fund Reserve Factor and Social Cost Calculation

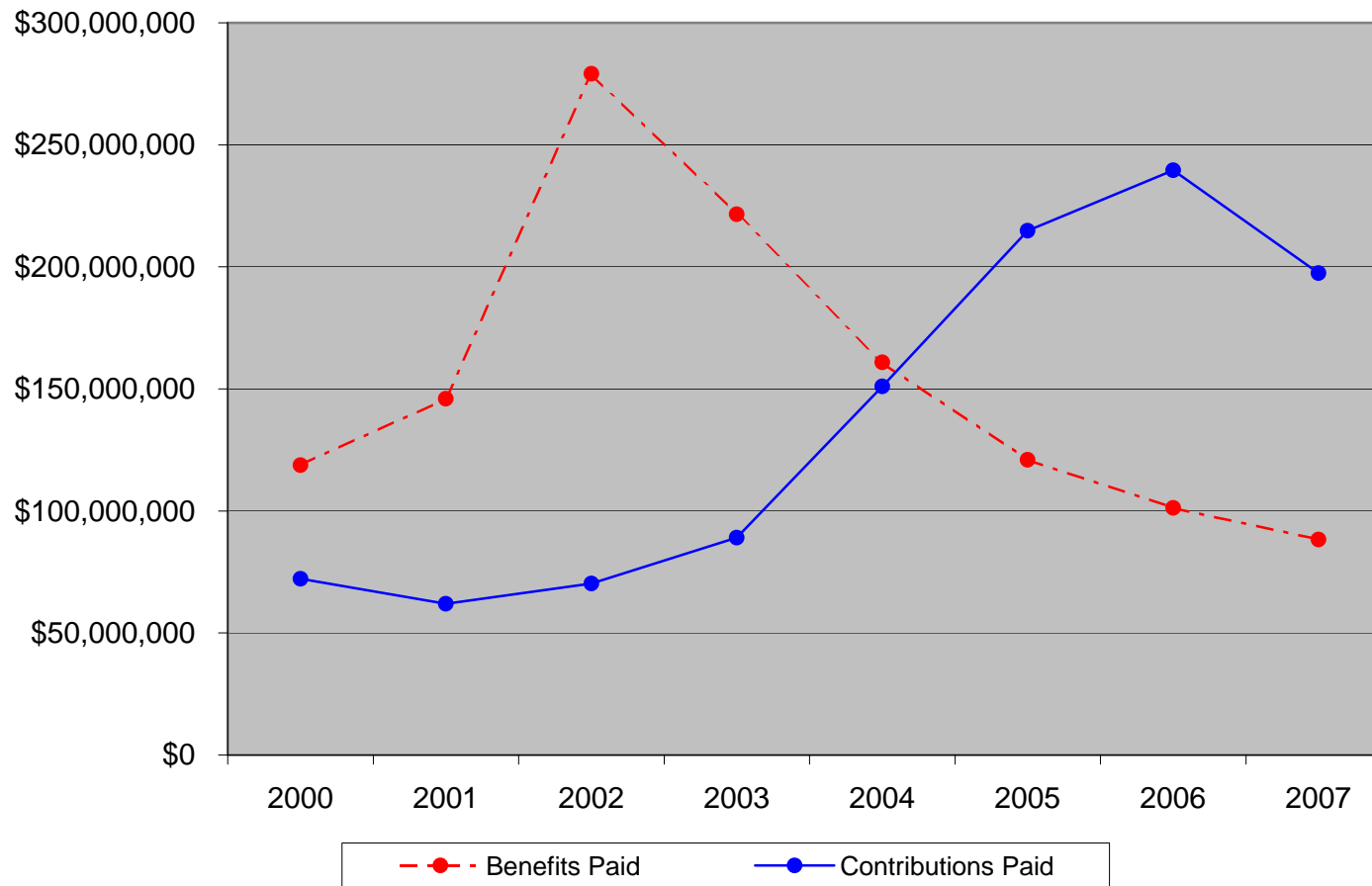
Rates (projected after RateYear 2007)

TF Balance as of:		Max Adequate	Min Adequate	Rate Year	Reserve Factor	Social Cost
FY 2000	\$625,568,775	\$ 535,470,430	\$ 478,856,816	2001	0.90	0.004
FY 2001	\$564,842,358	\$ 557,237,994	\$ 498,322,964	2002	0.90	0.004
FY 2002	\$482,403,124	\$ 572,404,165	\$ 511,885,663	2003	1.00	0.004
FY 2003	\$410,479,072	\$ 563,447,692	\$ 503,876,130	2004	1.20	0.004
FY 2004	\$357,430,362	\$ 577,921,855	\$ 516,819,985	2005	1.40	0.004
FY 2005	\$443,349,626	\$ 622,290,221	\$ 556,497,422	2006	1.25	0.004
FY 2006	\$608,932,574	\$ 713,592,066	\$ 636,792,920	2007	1.05	0.003
FY 2007	\$776,678,787	\$ 760,375,546	\$ 680,152,438	2008	0.95	0.003
FY 2008	\$840,013,948	\$ 703,347,380	\$ 627,309,826	2009	0.80	0.002
FY 2009	\$853,993,718	\$ 659,986,965	\$ 587,104,969	2010	0.70	0.002
FY 2010	\$839,488,466	\$ 702,886,117	\$ 625,266,791	2011	0.80	0.002
FY 2011	\$795,895,444	\$ 748,573,715	\$ 665,909,133	2012	0.80	0.002

UITrust Fund Balance Projections



### Contributions vs Benefits Paid Fiscal years 2000-2007



Fiscal Year	Benefits Paid	Contributions Paid
2000	\$118,750,000	\$72,264,258
2001	\$146,000,820	\$62,022,460
2002	\$279,125,000	\$70,312,500
2003	\$221,519,960	\$89,031,565
2004	\$160,843,068	\$151,016,522
2005	\$121,016,353	\$214,760,153
2006	\$101,252,104	\$239,525,485
2007	\$88,268,004	\$197,402,586

# **UI Tax Rate Calculations and Explanations**

$$\frac{\text{Benefit Costs}}{\text{Taxable Wages}} \times \text{Reserve Factor} + \text{Social Rate} = \text{Overall Tax Rate}$$

**Benefit Costs:** Unemployment benefits paid to former employees that are charged to the employers account for the previous four fiscal years ending June 30<sup>th</sup>.

**Taxable Wages:** Total taxable wages reported by the employer for the previous four fiscal years ending June 30<sup>th</sup>.  
(i.e. – taxable wage base for 2006 = \$24,000 per employee, for 2007 = \$25,400)

**Reserve Factor:** A multiplier (factor), which is adjusted up or down on an annual basis depending on the overall health of the UI Trust Fund balance. That formula is based on maintaining a balance in the Trust Fund that can fund 17 to 19 months of benefits during a severe economic downturn. The Reserve Factor is set at 1.0 when the Trust Fund balance falls between the Maximum and Minimum Adequate Reserve levels. The Reserve Factor is expected to be reduced from 1.05 to .95 for 2008 tax rates.

**Social Rate:** This rate is determined by benefit costs that cannot be charged to specific employers and is added to the UI tax rate for all employers; this is the minimum tax rate available. Over half of all employers have the minimum rate in 2007 (.003). The social rate is calculated using “social costs” for the previous four fiscal years.

## **Examples of the most common social costs are:**

- Benefit Costs from which employers have been granted relief of charges (54%)
- Benefit Costs of employers who have gone out of business with no successor (38%)
- Benefit Costs, which exceed the calculated maximum tax rate of 9.4% (5%)
- Uncollectible Benefit overpayments (3%)

(Prepared by Bill Starks, UI Director 8-29-2007)